

FILED

MAR 10 2016

SECRETARY, BOARD OF
OIL, GAS & MINING

BEFORE THE BOARD OF OIL, GAS AND MINING

DEPARTMENT OF NATURAL RESOURCES

STATE OF UTAH

IN THE MATTER OF THE REQUEST FOR
AGENCY ACTION OF NEWFIELD
PRODUCTION COMPANY FOR AN ORDER
POOLING ALL INTERESTS IN THREE
STAND-UP (VERTICAL) 1,280-ACRE (OR
SUBSTANTIAL EQUIVALENT) DRILLING
UNITS ESTABLISHED BY THE BOARD'S
ORDER IN CAUSE NO. 139-134, AND
MODIFYING, IN PART, TWO FORCE-
POOLING ORDERS ENTERED BY THE
BOARD IN CAUSES NOS. 139-115 AND 139-
121, SECTIONS 2 AND 11, 4 AND 9, AND 6
AND 7, TOWNSHIP 3 SOUTH, RANGE 2
WEST, USM, DUCHESNE COUNTY, UTAH

REQUEST FOR AGENCY ACTION

Docket No. 2016-010

Cause No. 139-137

NEWFIELD PRODUCTION COMPANY, by and through its undersigned attorneys, MacDonald & Miller Mineral Legal Services, PLLC, and pursuant to Utah Code Ann. §§ 40-6-5 and 40-6-6.5, hereby respectfully requests the Utah Board of Oil, Gas and Mining (the "**Board**") to enter an order pooling all interests within three stand-up (vertical) 1,280-acre (or substantial equivalent) drilling units established by the Board in its Order entered on July 21, 2015, in Cause No. 139-134, such drilling units comprising all of Sections 2 and 11, Sections 4 and 9, and Sections 6 and 7, Township 3 South, Range 2 West, U.S.M., respectively, in Duchesne County, Utah (collectively, the

“Subject Lands”), and modifying, in part, two existing compulsory force-pooling orders entered by the Board in Causes Nos. 139-115 and 139-121 affecting the Subject Lands (collectively the **“Compulsory Pooling Orders”**).

In support of its Request for Agency Action (**“Request”**), Newfield Production Company respectfully states and represents that:

1. Newfield Production Company (**“Newfield”**) is a Texas corporation in good standing, with its principal place of business in The Woodlands, Texas. Newfield is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal, Indian, and State of Utah agencies.

2. The Board has jurisdiction of the parties and subject matter of the Request, pursuant to Sections 40-6-5 and 40-6-6.5 of the Utah Code.

3. Newfield is an owner of working interests in the Subject Lands.

4. All of the Subject Lands are subject to that certain Findings of Fact, Conclusions of Law and Order entered by the Board in Cause No. 139-134 on July 21, 2015 (the **“139-134 Order”**), which established stand-up (vertical) 1,280-acre (or substantial equivalent) drilling units for the production of oil, gas, and associated hydrocarbons from the Lower Green River-Wasatch transitional formations defined as follows (the **“Spaced Interval”**):

the interval from the top of the Lower Green River formation (TGR₃ marker) to the base of the Green River-Wasatch formations (top of Cretaceous), which base is defined as the stratigraphic equivalent of the Dual Induction Log depths of 16,720 feet in the Shell-Ute 1-18B5 well

located in the S½NE¼ of Section 18, Township 2 South, Range 5 West, U.S.M., and 16,970 feet in the Shell-Brotherson 1-11B4 well located in the S½NE¼ of Section 11, Township 2 South, Range 4 West, U.S.M.

5. To facilitate establishing the 1,280-acre drilling units under the 139-134 Order and the allocation of production therefrom, Newfield, as the majority “Consenting Owner” (as defined in the Compulsory Pooling Orders) and without objection from the other Consenting Owners, stipulated to waive, effective as of August 1, 2015—the effective date of the 139-134 Order as to the Subject Lands—any further recoupment of outstanding risk assessment awards (non-consent penalties) relating to any well on the Subject Lands; to declare full reversion of the relinquished interests to the “Nonconsenting Owners” (as defined in the Compulsory Pooling Orders) so as to allow development on a prospective “go-forward” basis as requested; and to file an additional Request for Agency Action modifying the Compulsory Pooling Orders to so provide and to otherwise fully conform the Compulsory Pooling Orders to the 139-134 Order. The 139-134 Order acknowledges Newfield’s stipulation and requires Newfield to file the referenced Request for Agency Action.

6. Although not expressly stated in the 139-134 Order, Newfield’s intent was to waive any further recoupment only from the vertical and short-lateral sectional horizontal wells in existence on the Subject Lands as of the June 24, 2015 hearing in Cause No. 139-134, but not from any long-lateral horizontal wells already subject to a Compulsory Pooling Order where the allocation of production was based on a 1,280-acre drilling unit as of said hearing date.

7. Subject Section 6 was not subject to an order entered by the Board establishing a drilling unit for that section for the Spaced Interval (or any other stratigraphic interval) until the Board issued the 139-134 Order. Accordingly, Section 6 currently is not subject to a compulsory pooling order.

8. Subject Sections 7 and 9 are subject to that certain Findings of Fact, Conclusions of Law, and Order entered by the Board in Cause No. 139-115 on April 7, 2014 (the “**139-115 Order**”), which pooled the interests of certain “Nonconsenting Owners” (as defined in the 139-115 Order) in two sectional 640-acre drilling units established for the production of oil, gas, and associated hydrocarbons from the Spaced Interval for the following wells located in and producing from said Section 7 and Section 9:

a. Ute Tribal #6-7-3-2W Well (API #43-013-51033) (the “**Ute Tribal #6-7 Well**”) located in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of subject Section 7. The Ute Tribal #6-7 Well is a vertical well.

b. Ute Tribal #14-9-3-2W Well (API #43-013-51312) (the “**Ute Tribal #14-9 Well**”) located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of subject Section 9. The Ute Tribal #14-9 Well is a vertical well.

9. Subject Section 11 is subject to that certain Findings of Fact, Conclusions of Law, and Order entered by the Board in Cause No. 139-121 on August 27, 2014 (the “**139-121 Order**”), which pooled the interests of certain “Nonconsenting Owners” (as

defined in the 139-121 Order) in a sectional 640-acre drilling unit affecting subject Section 11 established for the production of oil, gas, and associated hydrocarbons from the “Section 11 Spaced Interval” (as defined in the 139-121 Order), which is included in the Spaced Interval, for the following well located in Section 11:

a. State #4-11-3-2WH Well (API #43-013-51923) (the “**State Well**”) whose surface location is located directly north of Section 11, in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of adjacent Section 2. The State Well encountered the Section 11 Spaced Interval in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11 and its bottomhole location in the Section 11 Spaced Interval is in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of that section. The State Well is a short-lateral sectional horizontal well.

10. Subject Sections 2 and 11 and Sections 4 and 9 also are subject to the 139-121 Order, which pooled the interests of certain “Nonconsenting Owners” (as defined in the 139-121 Order) in two 1,280-acre drilling units established for the production of oil, gas, and associated hydrocarbons from the “Uteland Butte Spaced Interval” (as defined in the 139-121 Order), which is included in the Spaced Interval, for the following wells located in the relevant sections:

a. Velma #2-11-3-2WH Well (API #43-013-51716) (the “**Velma Well**”) whose surface location is located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 2. The Velma Well encountered the Uteland Butte Spaced Interval in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 11 and its

bottomhole location in the Uteland Butte Spaced Interval is in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of that section. The Velma Well is a short-lateral sectional horizontal well.

b. Jorgensen #2-4-9-3-2WH Well (API #43-013-52107) (the **“Jorgensen Well”**) whose surface location is located in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 4 and its bottomhole location is in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 9. The Jorgensen Well is a long-lateral horizontal well.

c. Ute Tribal #13-9-4-3-2WH Well (API #43-013-52079) (the **“Ute Tribal #13-9-4 Well”**) whose surface location is located directly south of Section 9, in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of adjacent Section 16. The Ute Tribal #13-9-4 Well encountered the Uteland Butte Spaced Interval in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 9 and its bottomhole location in the Uteland Butte Spaced Interval is in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 4. The Ute Tribal #13-9-4 Well is a long-lateral horizontal well.

d. Ute Tribal #14-9-4-3-2WH Well (API #43-013-52080) (the **“Ute Tribal #14-9-4 Well”**) whose surface location is located directly south of Section 9, in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of adjacent Section 16. The Ute Tribal #14-9-4 Well encountered the Uteland Butte Spaced Interval in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 9 and its bottomhole location in the Uteland Butte Spaced Interval is in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 4. The Ute Tribal #14-9-4 Well is a long-lateral horizontal well.

(Collectively, the Ute Tribal #6-7, Ute Tribal #14-9, State, Velma, Jorgensen, Ute Tribal #13-9-4, and Ute Tribal #14-9-4 Wells are hereinafter referred to as the “**Subject Wells**”, and each as a “**designated Drilling Unit Well**”).)

11. The minerals within the Subject Lands are owned by the Ute Indian Tribe of the Uintah and Ouray Reservation, the Ute Distribution Corporation, Indian Allottees, the State of Utah, and numerous private (fee) owners. Some of the owners have leased their minerals to Newfield or to the other working interest owners. Some of the owners have declined to lease their minerals, and certain other owners are not locatable.

12. Newfield has attempted to enter into leases or voluntary agreements for the development and operation of the above-referenced 1,280-acre drilling units comprising subject Sections 6 and 7, Sections 2 and 11, and Sections 4 and 9 (hereinafter sometimes, “**Drilling Unit**” or “**Units**”) with the other locatable owners within the Drilling Units, including owners of the mineral interests in the Drilling Units. Newfield’s attempts in this regard have not been totally successful, and therefore, no written agreement exists that pools all of the interests in any of the individual Units.

13. In connection with the proceedings involved with the Compulsory Pooling Orders, Newfield mailed or otherwise provided written invitations to the other locatable owners, including the unleased mineral interest owners, in each applicable drilling unit established by the Board prior to the entry of the 139-134 Order to join and participate in the applicable Subject Well located in such applicable drilling unit according to their

ownership interest, including a detailed Authority for Expenditure and Joint Operating Agreement for such well. Some of such owners, including some of the unleased owners, did not participate in a Subject Well.

14. Given the Indian-owned minerals in portions of the Subject Lands, communitization agreements or modifications of existing communitization agreements will be required to commit the Indian-owned minerals to cooperative development plans in the Drilling Units that conform to the 139-134 Order. Whether by regulation and guideline or Federal agency practice, approval by the Bureau of Indian Affairs will require a Board order pooling all of the mineral interests in each subject Drilling Unit that contains Indian-owned minerals.

15. Newfield has conducted a thorough title examination of the mineral ownership in the Subject Lands in an effort to identify and locate the owners of those interests. However, not all of the owners are locatable. Newfield's efforts in this regard are continuing and Newfield will report to the Board at or before the hearing regarding the owners who remain unlocatable.

16. In order to facilitate development of the Drilling Units in the absence of a written agreement between Newfield and the other owners within each Drilling Unit, Newfield requests that the Board enter an order pooling all of the interests within each established Drilling Unit for the development and operation of the Drilling Unit and the

respective designated Drilling Unit well, and further providing in accordance with Utah Code Ann. § 40-6-6.5:

a. That operations incident to the drilling of a designated Drilling Unit well upon any part of a Drilling Unit covered by such order shall be deemed for all purposes to be operations upon each separately owned tract in the Drilling Unit.

b. That the portion of production allocated or applicable to a separately owned tract within any Drilling Unit covered by such order shall, when produced, be deemed for all purposes to have been produced from that tract by a well drilled on it.

c. That such order provide for the payment of just and reasonable costs incurred in the drilling and operation of the designated Drilling Unit well, including, but not limited to:

i. The costs of workovers and re-completions and similar operations, equipping, producing, gathering, transporting, processing, marketing, plugging and abandoning the well, and storage facilities;

ii. Reasonable charges for the administration and supervision of operations; and

iii. Other costs customarily incurred in the industry.

d. That an owner is not liable under such an order for costs or losses resulting from the gross negligence or willful misconduct of the operator.

e. That the owners who elected to participate in the just and reasonable costs incurred and to be incurred in the drilling and operation of the designated Drilling Unit well (the “**Consenting Owners**”) and the other owners who did not elect to participate in the costs incurred and to be incurred in the drilling and operation of the designated Drilling Unit well (a “**Nonconsenting Owner**”), as of August 1, 2015, shall be entitled to receive, subject to royalty or similar obligations, the share of production of the well applicable to his or her interest in the Drilling Unit on a prospective “go-forward” basis.

f. That a Nonconsenting Owner’s share of the costs specified above is that interest which would have been chargeable to the Nonconsenting Owner had it initially agreed to pay its share of the costs of the well from the commencement of the operations for the well.

g. That if there is any dispute about costs, the Board shall determine the appropriate costs.

h. That, as of August 1, 2015, the acreage-weighted average landowner’s royalty attributable to each tract within a Drilling Unit as provided in Utah Code Ann. § 40-6-6.5(6)(a)(i) and to be paid to a Nonconsenting Owner as provided in the Compulsory Pooling Orders, as the case may be, shall be merged back into such Nonconsenting Owner’s working interest and shall be terminated.

i. That the operator of the Drilling Unit well shall furnish any Nonconsenting Owner with monthly statements specifying costs incurred, the quantity of oil and gas produced, and the amount of oil and gas proceeds realized from the sale of the production during the preceding month.

j. That, as of August 1, 2015, a Nonconsenting Owner's relinquished interest as provided under the Compulsory Pooling Orders shall revert to the Nonconsenting Owner. The Nonconsenting Owner shall from that time forward own the same interest in the designated Drilling Unit well and the production from it, and be liable for the further costs of the operation, as if he or she had participated in the initial drilling and operation. Such costs shall be payable out of production from the well.

k. That a reasonable interest charge of the Prime Rate plus 2% (percent) (with "Prime Rate" defined as the prime rate reported by Wells Fargo Bank in Salt Lake City, or, if Wells Fargo Bank ceases to exist or to report a prime rate, then the Prime Rate shall be the prime rate reported by a comparable bank operating in the State of Utah) be imposed on the outstanding costs and expenses.

l. That plugging and abandonment costs based on evidence provided by Newfield at the hearing in this Cause be determined. Newfield previously has presented evidence that the estimated costs to plug and abandon each of the Subject Wells is \$75,000, which is consistent with costs incurred for the plugging and abandoning of wells of similar character within the vicinity of the Subject Wells.

m. That, as of August 1, 2015, all other issues between any Nonconsenting Owners and the Consenting Owners not otherwise expressly addressed in the Board's order be governed by the provisions of the current form of joint operating agreement (JOA) that governs operations as agreed to by the Consenting Owners on the Subject Lands or other nearby producing lands for the Spaced Interval.

17. The 139-115 Order and the 139-121 Order impose risk assessment award (non-consent) penalties upon the interests of the "Nonconsenting Owners" (as defined in each order) in a pertinent Subject Well; order such interests be deemed relinquished to the applicable "Consenting Owners" (as defined in each order) in such wells during the payout period for the wells; and provide for the payment to the "Nonconsenting Owners" of an acreage-weighted average landowner's royalty during such payout periods. Accordingly, in order to effectuate Newfield's stipulated waiver of any further recoupment of such outstanding risk assessment awards relating to the Subject Wells (effective August 1, 2015), Newfield requests that the Board enter an order modifying the 139-115 Order and the 139-121 Order to the extent necessary to make such orders conform to the 139-134 Order and the order entered in this Cause.

18. Newfield is prepared to present evidence and testimony in support of its request to pool the interests of the Nonconsenting Owners in the Subject Lands.

19. Newfield believes and therefore states that the requested action will further the statutory objectives of fostering, encouraging, and facilitating the orderly

development, production, and utilization of the state's resources in a manner that prevents waste and adequately protects the correlative rights of all affected parties, and is just and reasonable.

20. Newfield will separately file a certificate of mailing listing the names and last known addresses of all persons within the Drilling Units known by Newfield whose legally protected interests in the Subject Lands may be affected by this Request.

21. As of the filing of this Request, Newfield knows of no respondents or adverse parties to Newfield's Request.

WHEREFORE, Newfield respectfully requests the Board to:

1. Set this matter for hearing at the Board's next regularly scheduled hearing to be held on April 27, 2016, in Salt Lake City, Utah, to consider approving an order pooling all of the interests in the Drilling Units for the Spaced Interval underlying the Subject Lands as requested herein;

2. Give notice of this Request for Agency Action and the hearing as provided by the laws of the State of Utah and regulations issued pursuant thereto;

3. Conduct a hearing at which Newfield and all interested parties may be allowed to present evidence regarding the pooling of all of the interests in each Drilling Unit within the Subject Lands and the entry of an order pooling all such interests for the development and operation of such Drilling Unit;

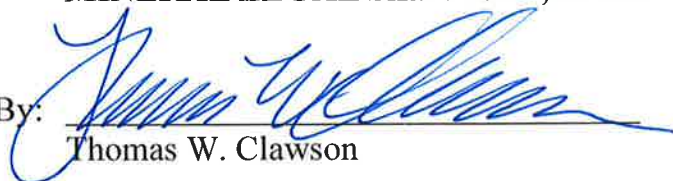
4. Make such findings as it deems necessary in connection with this Request.

5. Enter an order effective August 1, 2015 (the effective date of the 139-134 Order as to the Subject Lands): pooling all of the interests in each Drilling Unit within the Subject Lands on a prospective "go-forward" basis as requested herein; incorporating the provisions set forth in Paragraph 16 hereinabove, in accordance with Utah Code Ann. § 40-6-6.5; adopting the terms of a Joint Operating Agreement (JOA) in a form as agreed to by the Consenting Owners, to be submitted as a hearing exhibit, to govern operations of the Drilling Units to the extent not inconsistent with the foregoing; and modifying the 139-115 Order and the 139-121 Order to the extent necessary to make such orders conform to the 139-134 Order and the order entered in this Cause.

6. Provide such other relief as may be just and proper under the circumstances.

Respectfully submitted this 10th day of March, 2016.

**MACDONALD & MILLER
MINERAL LEGAL SERVICES, PLLC**

By: 
Thomas W. Clawson

7090 S. Union Park Avenue, Suite 400
Midvale, UT 84047
Telephone: (801) 676-0050
Facsimile: (801) 676-0051
E-Mail: tclawson@macmillerlegal.com

Attorneys for Petitioner Newfield Production
Company

Petitioner's Address:

Newfield Production Company
Attention: Travis Lindsey, Lead Land Manager
24 Waterway Ave., Suite 900
The Woodlands, Texas 77380